

EXECUTIVE SUMMARY

Information Requested in Relation to the Delayed Financial Statement Audit for Fiscal Year 2010

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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In response to a request from Councilmember DeMaio at the Audit Committee meeting on March 7, 2011, the IBA issued this report to summarize reports and notifications the City is making related to the delayed financial statements for FY 2010. Additionally, he requested the Independent Budget Analyst to personally check-in with the rating agencies regarding their thoughts concerning the delayed financial statements. Councilmember DeMaio further asked the IBA to comment on the City's strategy and approach for the disclosure of financial information.

With respect to reports and notifications, this report comments on the process and language used in fulfilling the City's annual reporting requirements to the Electronic Municipal Market Access (EMMA) system for City issued bonds. A copy of the most recent posting to the City's Investor Information Webpage is also discussed and attached. Finally, we mention an option to provide notification regarding the City's inability to complete its FY 2010 Single Audit in time to meet the Office of Management and Budget's deadline of March 31, 2011.

The IBA contacted the three major rating agencies. We spoke with the directors or vice president with lead responsibility for analyzing the City's credit. In summary, the rating agencies appreciated receiving significant information and updates from the City related to the delayed issuance of the FY 2010 CAFR. They understand delays attributed to major changes in financial systems; however, they continue to monitor the City's problem and would be increasingly concerned if the problem is not resolved as currently projected.

This report also raises additional considerations related to delayed financial statements: the cost of the FY 2010 audit; changes in the Comptroller's timeline for correcting labor distribution charges for FY 2010; and the City's need and ability to issue bonds in 2011. The IBA will defer to the City's Outside Disclosure Counsel (John McNally) for comments on the City's strategy and approach for disclosure of financial information.